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**KSL**

**KSL AND INDUSTRIES LTD.**

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**24<sup>th</sup> Annual Report**  
**2005-2006**

**ANNUAL REPORT 2006****BOARD OF DIRECTORS**

Shri Saurabh Kumar Tayal - Chairman  
 Shri Ramit Aggarwal - Managing Director  
 Shri Samir Antani  
 Shri Romil Aggarwal  
 Shri S N Dubey  
 Shri Anil Kumar Dubey  
 Shri Harinder Kumar  
 Shri Mahendra Patel  
 Shri Rajshekhar Ganiger  
 Shri Farindra Bihari Rai  
 Shri Praveen Sharma  
 Shri C. R. Pandey

**COMPANY SECRETARY**

Shri Mukesh Darwani

**BANKERS**

Allahabad Bank  
 Dena Bank  
 Andhra Bank

**AUDITORS**

A. F. Khasgiwala & Co.  
 Chartered Accountants

**REGISTERED OFFICE**

Plot No.69, Danudyog Industrial Area,  
 Piperia, Silvassa (Union Territory).

**CORPORATE OFFICE**

Raghuvanshi Mills Compound,  
 11/12, Senapati Bapat Marg,  
 Lower Parel (W), Mumbai - 400 013.

**REGISTRAR & TRANSFER AGENT**

Bigshare Services Pvt. Ltd.  
 E-2/3, Ansa Industrial Estate,  
 Sakivihar Road, Saki Naka,  
 Andheri (East), Mumbai - 400 072.  
 Tel.:28473747 / 28473474 / 28470652

**PLANTS**

Piperia, Silvassa (U. T.)  
 Samarvani, Silvassa (U. T.)  
 Bhilad, Valsad, (Gujarat)  
 Dombivali, Dist. Thane (Maharashtra)  
 Nagpur, (Maharashtra)  
 Wada, Dist. Thane

**CONTENTS**

Notice .....	1
Directors' Report .....	4
Corporate Governance Disclosure .....	10
Management Discussion and Analysis Report .....	17
Auditors' Report .....	19
Balance Sheet .....	22
Profit & Loss Account .....	23
Schedules & Notes .....	24
Notes on Accounts .....	29
Additional Information .....	33
Cash Flow Statement .....	34

**ANNUAL GENERAL MEETING** on Tuesday, 6th June 2006, at 11.30 a.m.,  
 at 65, Krishna Nagar, Samarvani, Silvassa, (Union Territory)

## ANNUAL REPORT 2006

## NOTICE

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting of the Shareholders of KSL And Industries Limited will be held on Tuesday, the 6th of June 2006 at 11.30 a.m. at 65, Krishna Nagar, Samarvani, Silvassa (U.T.), to transact the following business :

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date and the Reports of Directors and the Auditors thereon.
2. To declare dividend for the year 2005-06.
3. To appoint a Director in place of Shri Samir Antani, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Mahendra Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri S.N.Dubey, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To re-appoint M/s. A. F. Khasgiwala & Co., Chartered Accountants, as Auditor of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the Auditor's remuneration.

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions

## AS ORDINARY RESOLUTIONS :

7. "RESOLVED THAT Shri Harinder Kumar, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on 29th September, 2005 and whose tenure of office comes to an end at this Annual General Meeting, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation."
8. "RESOLVED THAT Shri C.R.Pandey, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on 29th September, 2005 and whose tenure of office comes to an end at this Annual General Meeting, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation."
9. "RESOLVED THAT pursuant to the recommendation of the Board of Directors in this behalf and pursuant further to Article 172 of Articles of Association and subject to the consent and other approvals, if any, a sum of Rs. 6,35,94,000/- out of General Reserve be and is hereby capitalized and aforesaid sum be applied for allotment of 1,58,98,500 new Equity Share of face value of Rs.4/- each as and by way of bonus shares to person whose name appear on the record date to be specified by Board of Directors in the proportion of one such new Equity Shares for every five existing Equity Shares held by such persons respectively on the said date, upon the footing they become entitled thereto for all purpose as capital and a further sum of Rs. 6,06,060/- be set apart as reserve out of General Reserve for issue of 1,51,515 Equity Shares of face value of Rs. 4/- each to be issued and allotted to Life Insurance Corporation of India (LIC) as and by way of Bonus Shares who have subscribed 5,00,000, 9% Secured Optionally Fully Convertible Debentures (OFCD) of Rs.400/- each and in terms of the issue thereof LIC is entitled to exercise conversion option at Rs.264/- per share at any time between 12th and 18th Month from the date of allotment i.e. 19th November 2005.

**RESOLVED FURTHER THAT** any of such new shares which on an exact distribution in the proportion aforesaid, would fall to be allotted in fractions be allotted in the name of Director of the Company upon trust to sell the same and divide the net proceeds amongst the shareholders entitled to such fractions pro-rata in accordance with their rights; and such new equity shares, as and when issued and fully paid, shall rank parri pasu with the existing issued equity shares.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to settle any question or difficulty whatsoever in regard to the issue and allotment of the aforesaid bonus shares including any fractional entitlement of members in such manner as it may think necessary or expedient."

To consider and, if thought fit, to pass the following resolution:-

## AS SPECIAL RESOLUTION:

10. "RESOLVED THAT subject to the approval of the Central Government and pursuant to section 21 of the Companies Act, 1956, the name of the Company be and is hereby changed from KSL AND INDUSTRIES LTD. to KSL REALTY AND INFRASTRUCTURE LTD."

**"RESOLVED FURTHER THAT** the name KSL AND INDUSTRIES LTD wherever it occurs in the Memorandum and Article of

**KSL AND INDUSTRIES LTD.**

Association of the Company be substituted by the name KSL REALTY AND INFRASTRUCTURE LTD."

"**RESOLVED FURTHER THAT** the change in the name of the Company from its existing name to KSL REALTY AND INFRASTRUCTURE LTD. shall take effect from the date of issue of Fresh certificate of incorporation by Registrar of Companies, Gujarat-Dadra & Nagar Haveli."

**NOTES :**

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business under item no.7 to 10 is annexed hereto and forms an integral part of this notice.
2. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON (WHETHER A SHAREHOLDER OR NOT) AS HIS/HER PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL BE ENTITLED TO VOTE ONLY UPON A POLL.
3. The instrument(s) appointing the Proxy, if any, shall be delivered at the Registered Office of the Company not less than forty eight (48) hours before the commencement of the Meeting and the instrument of proxy shall be treated as invalid in case of default.
4. The Register of Members and Share Transfer Register of the Company will remain closed from Friday, 2nd June 2006 to Tuesday, 6th June 2006 (both days inclusive) to comply with Annual Book Closure requirements.
5. Members desiring an information with regard to accounts or operations are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
7. Members are requested to immediately notify any change in their registered address specifying full address with Pin Code Number and quoting their registered Folio No. to the Company.

For and on Behalf of the Board of Directors

Place : Mumbai  
Date : 02/05/2006

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SAURABH KUMAR TAYAL  
Chairman

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO.7:**

Shri Harinder Kumar was appointed as an Additional Director by the Board on 29th September 2005 under Section 260 of the Companies Act, 1956. He holds office till the conclusion of this Annual General Meeting. The Company has received a Notice along with the requisite deposit amount from a member, under Section 257 of the Act, signifying his intention to propose the candidature of Shri Harinder Kumar for the office of the Director of the Company.

Shri Harinder Kumar is Graduate in Commerce and has Five years experience in excise, income tax, accounts and finance department.

The Board recommends the passing of this resolution. None of the Directors is interested in the resolution.

**ITEM NO.8 :**

Shri C.R.Pandey was appointed as an Additional Director by the Board on 29th September 2005 under Section 260 of the Companies Act, 1956. He holds office till the conclusion of this Annual General Meeting. The Company has received a Notice along with the requisite deposit amount from a member, under Section 257 of the Act, signifying his intention to propose the candidature of Shri Anil Kumar Dubey for the office of the Director of the Company.

Shri C.R.Pandey is B.E. and DCE in Civil Engineering and 5 years of experience in industrial cost work, water and waste water distribution system.

The Board recommends the passing of this resolution. None of the Directors is interested in the resolution.

## ANNUAL REPORT 2006

**ITEM NO. 9 :**

The Company has to the credit of its General Reserve the sum of Rs 4975.38 Lacs as at 31st March 2006. The Directors propose to capitalize a sum of Rs. 6,35,94,000/- out of this, to be applied for the issue of 1,58,98,500 new Equity Shares of Rs 4/- each credited as fully paid up as bonus shares. The Life Insurance Corporation of India has subscribed 5,00,000, 9% Secured Optionally Fully Convertible Debentures of Rs. 400/- each aggregating to Rs. 20,00,00,000/-. In terms of Subscription Agreement entered into with LIC, the LIC is entitled to exercise conversion option at Rs. 264/- per share at any time between 12th and 18th month from the date of allotment i.e. 19th November 2005. A reserve of Rs. 6,06,060/- is therefore to be set apart out of General Reserve for issue of 1,51,515 Equity Share of Rs. 4/- each to be issued and allotted to LIC as and by way of Bonus Shares on exercise of conversion option as aforesaid. Article 172 of the Company's Articles of Association authorizes the capitalization and the issue of the bonus shares by the company in the manner proposed. The proposed resolution is intended to give effect to the above proposal. New equity shares will be issued and allotted as bonus equity shares in the proportion of one such new equity shares credited as fully paid up for every five of existing equity shares as proposed in the resolution. The said bonus equity shares shall rank pari passu in all respects with the existing equity shares. The fraction entitlement if any of the respective members will be settled in the manner indicated in the resolution.

The proposed issue of bonus shares will be in compliance with applicable guidelines issued by Securities Exchange Board of India in this respect. The bonus shares will be allotted to such members of the company whose name appear in the register of members of the company as on the date to be decided by the Board of Directors. Requisite application will also be made to Bombay Stock Exchange Ltd/ where the existing shares of the Company are already listed for permission to deal in such bonus shares.

The Directors recommend the Resolution for members' approval.

All the directors are deemed to be interested or concerned in this resolution to the extent of their shareholding.

**ITEM NO. 10 :**

At present the company is engaged in manufacturing of cotton yarn, knitted fabrics. The Members are aware that the Main Object clause of the Memorandum of Association of the Company was altered by inserting clause 2A and 2B which permit the Company to carry on business in real estate and infrastructure development. The Company has already commenced this new activity. In view of emerging opportunities in real estate and infrastructure business the Company has plans to enter expand this business in a big way i.e construction of big Residential cum Commercial Complexes, Shopping Malls, and Multiplexes etc. The change of name of the Company from its existing name to KSL REALTY AND INFRASTRUCTURE LTD. will reflect the new business activity which the Company is pursuing.

The consent of the members is sought for alteration in the name clause of the Memorandum of Association of the Company.

The Board recommends the passing of this resolution. None of the Directors is interested in the resolution.

For and on Behalf of the Board of Directors

Place : Mumbai  
Date : 02/05/2006

**SAURABH KUMAR TAYAL**  
Chairman

**KSL AND INDUSTRIES LTD.****DIRECTORS' REPORT**

, Dear Members,

Your Directors have pleasure in presenting the 24th Annual Report on the business and operations of your Company and the Audited Financial Statements for the year ended 31st March 2006.

**FINANCIAL RESULTS**

	2005-2006	(Rs. in Lacs) 2004-2005
Sales (Income from operation)	34890.30	15362.12
Other Income	72.62	69.15
Profit before Depreciation, Interest & Tax	5758.36	1718.17
Interest & Finance Charges	444.81	179.26
Depreciation	1281.16	348.26
Profit before Tax	4032.39	1190.65
Provision for tax & Deferred Tax Liability	840.12	123.27
Net Profit for the Year	3192.28	1067.37
Profit available for Appropriation	10210.82	7018.54
<b>Appropriations</b>		
General Reserve	319.23	-
Proposed Dividend	317.97	529.95
Tax on Dividend	35.68	54.05
Surplus carried to Balance Sheet	9537.94	6434.54

**DIVIDEND**

The Directors are pleased to recommend a dividend @ 10% on the paid up equity share capital of the Company. The dividend (including tax payable by the Company) will absorb Rs. 353.65 lacs.

**REVIEW OF OPERATIONS**

The Company has achieved a net sales of Rs.34890.30 Lacs during the 12 months ended March 31st, 2006 as against a net sales of Rs. 15362.12 Lacs during the previous year ended March 31st, 2005, resulting an increase by 127.12%. The net profit for the year 2005-06 increased to Rs. 3192.28 Lacs from previous year profit of Rs. 1067.37 Lacs resulting an increase by 199.08%. On a paid up capital of Rs. 3179.70 Lacs, the earnings per share works out to Rs. 4.02. The cash accruals of the Company for the current year have gone up to Rs. 4473.44 Lacs from Rs. 1415.63 Lacs in the previous year.

**BONUS ISSUE OF SHARES**

The Company has to the credit of its general reserve the sum of Rs. 4975.38 Lacs as at 31st March, 2006. The Directors propose to capitalize a sum of Rs. 6,42,00,060/- (including Rs. 6,06,060/- to be set apart as reserve for issue of bonus shares to LIC (on conversion) out of this, to be applied for the issue of 1,60,50,015 (including 1,51,515 equity shares reserved for LIC pending conversion of 5,00,000, 9% Secured Optionally Fully Convertible Debentures in terms of subscription agreement entered into with LIC) new equity shares of Rs. 4/- each credited as fully paid up as bonus shares. The bonus shares are proposed to be issued in the proportion of one such new equity share credited as fully paid up for every five of the existing equity shares. The said bonus equity shares shall rank pari passu in all respects with the existing equity shares. The proposed issue of the bonus shares will be in compliance with the applicable guidelines issued by Securities Exchange Board of India in this respect.

**SUBSIDIARY COMPANY**

The Report and Accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of the mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including its subsidiary, at the first instance, members are being provided with the Report and Accounts of the Company and the consolidated accounts treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members who wish to receive the full Report and Accounts including the Report and Accounts of the subsidiary will be provided with it upon receipt of a written request. This will help save considerable cost in connection with printing and mailing of the Report and Accounts.



**ANNUAL REPORT 2006****ON GOING EXPANSION PROJECT AND FUTURE PLAN**

The members of the Company are aware that over the last few years the Company has been making sustained investments in an integrated textile product chain at a capital cost lower than the prevailing industry average. The Company has also been investing in on going research and development which has enabled the Company to generate new and better product with frequency.

During the year under report the Company has embarked upon an integrated textile project at Kalamehwar, Nagpur and Wada, Thane, Maharashtra, comprising of 100800 ring frame and 48 open ended machine, knitting facilities of 12000 TPA, and processing facility of 24000 TPA, the proposed expansion project is in progress as per schedule, at an estimated cost of Rs. 600 Crore under Textile upgraded fund scheme (TUF) Scheme. The term loan for this integrated project has been fully tied up and part production from the additional capacity already installed had commenced during the year under report.

The Company's longstanding presence in India's Textile Industry provided it a low cost opportunity to capitalize on loosing textile mills possessing Real Estate potential. During the year under report your Company diversified its business and entered into Realty Sector. The Company acquired 10 hectares of land at Nagpur and has undertaken a prestigious project named as "Empress City" at Nagpur. This project comprises of information technology park, five star hotel, shopping malls, multiplex and residential facilities. The Company has employed the best professional, from within the industry like Hafeez Contractor in Design, the Singapur based Site Concepts in land escaping and offer the most competitive professionals to rent the property to the most brand enhancing names in the Country.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of the Company, Shri Mahendra Patel, Shri S.N.Dubey and Shri Samir Antani, Directors of the Company are due to retire at the forthcoming annual general meeting, and being eligible, have offered themselves for re-appointment.

During the year, Shri Satyendra Kumar Singh and Shri Sanjay Nimbalkar resigned from the Directorship of the Company w.e.f 29th September 2005. Your Directors place on record their appreciation of the valuable services rendered by Shri Satyendra Kumar Singh and Shri Sanjay Nimbalkar to the Company during their tenure of office.

Shri Harinder Kumar and Shri C.R.Padey were appointed as additional directors of the Company during the year.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 the Directors' confirm that:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) appropriate accounting policies have been selected and applied consistently, and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the Profit of the Company for the year under review;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- (iv) the annual accounts have been prepared on a 'going concern' basis for the Financial year ended 31st March 2006.

**AUDIT COMMITTEE**

The composition of Audit Committee is as given in the Report on Corporate Governance.

**SHAREHOLDERS' /INVESTOR GRIEVANCE COMMITTEE**

The composition of Shareholders'/Investor Grievance Committee is as given in the Report on Corporate Governance.

**REMUNERATION COMMITTEE**

The composition of Remuneration Committee is given in the Report of Corporate Governance.

**REPORT ON CORPORATE GOVERNANCE**

The revised clause 49 of the listing agreement has come into effect from 1st January 2006. Your Company has made due compliance thereof.

## KSL AND INDUSTRIES LTD.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report and a Corporate Governance Report are made as a part of this Annual Report.

A Certificate from the auditors of the company regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report.

### IMPLEMENTATION OF ERP SYSTEM

The project of implementation of Enterprise Resource Planning (ERP) system package which has been taken last years is still in progress and not yet completed. The Enterprise Resource Planning (ERP) system is immensely helping the Company for better control of its finance, inventory, procurement of raw material etc. through ERP system. The ERP system also helps the Company in taking timely decision as accurate information is readily available. There has been marked improvement in productivity, efficiency and responsiveness of employees of the Company. The management is thus deriving substantial benefits from the introduction of ERP system.

### SAFETY, HEALTH AND ENVIRONMENT

Sustained and meticulous efforts continue to be exercised by the Company at all plants of the company, towards greener production and environment conservation. The Company perseveres in its efforts to indoctrinate safe and environmentally accountable behavior in every employee, as well as vendors, by rigid compulsory annual training and refresher courses, as well as frequent awareness programs. Mock drills of emergency preparedness are regularly conducted at all the plants showing company's commitment towards safety, not only of its own men and plants, but also of the society at large.

Safety records, at all plants showed considerable improvement and accident statistics showed downward trend. This was made possible by strict adherence to laid down procedures and following of international guidelines. Involvement of workers in all safety matters has been encouraged by their participation in shop floor safety meetings.

The health of employees and the environment in and around the Plant area have been given due care and attention. The Company continued to comply with the prescribed industrial safety environment protection and pollution control regulation at its production plant, through periodic checks of the system involved and constant monitoring to meet the standards set by the pollution control authorities etc.

All the mills of the company are eco-friendly and do not generate any harmful effluents. They have facilities for captive power generation as a stand-by arrangement, to meet any contingency. Safety devices have been installed wherever necessary, although both the spinning and knitting activities are known to be quite safe and free from usual hazards of water and air pollution.

The quality consciousness, professionalism and growth dynamics of KSL & Industries have earned it National & international acclaim and prestigious awards. The Company has been honored with Oeko-Tex Standard 100 Certificate by the Institute of the International Association for Research and Testing in Textile Ecology, the Swiss Textile Institute for the Company's Products stating that the Company's product with direct skin, have shown that the products meet the human-ecological requirements of the standard presently established. The products fulfill the requirements of the existing European legislation regarding the use of azo-dyes.

### INDUSTRIAL RELATIONS & HUMAN RESOURCES MANAGEMENT

The Company recognizes that in a people-intensive business, major gains can be scored in the area productivity management. In view of this, the Company strengthened its people management through performance-linked incentives, amenities, training, multi-skilling and career path identification.

The Company is of firm belief that good Human Resource Management would ensure success though high performance. HR strategy and plans of the company are deeply embedded with the organizational goals. In order to enhance the manpower productivity the goal is set to increase the production capacity of the various plants and rationalize the manpower through scientific study. All the operational goals of the top management emanate from the business plan. The goals of CEO are shared with his subordinates who in turn share their goal with their respective subordinates and so on. Regular visits by HR team are being made to all plants to meet the employees and also interaction meetings are conducted to get their feed back, based on which HR policies are improved continuously. The process has resulted in better employee relationship.

The Company lays due emphasis on all round development of its human resource. Hence training of the employees is aimed at systemic development of knowledge, skills, aptitude and team work. Training is designed for the development of personal skills necessary for the performance of the present job and to prepare them for future growth. Individual development is given top priority to groom high caliber manpower.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, regarding conservation of energy, technology absorption and foreign exchange earnings



**ANNUAL REPORT 2006**

and outgo are given in the Annexure forming part of this Report.

**EMPLOYEES**

None of the employees drew remuneration of Rs.24,00,000/- or more per annum/Rs.2,00,000/- or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**FIXED DEPOSITS**

The Company has not invited/received any Fixed Deposits from the Public during the year under report.

**OPTIONALLY FULLY CONVERTIBLE DEBENTURE (OFCD)**

On 19th November 2005 the Company issued and allotted 9% OPTIONALLY FULLY CONVERTIBLE DEBENTURE (OFCD) of Rs.400/- each aggregating rupees 20,00,00,000/- (Twenty Crores) to the Life Insurance Corporation of India (LIC) on private placement basis. The proceeds from OFCD's have been utilized in the expansion project. The OFCD's have moratorium of four years from the date of allotment. LIC has a right to exercise the conversion option at a conversion price which shall not be less than 241.96 per share between 12th and 18th month from the date of allotment. If the option of conversion is not exercised the OFCD's shall be redeemed in three equal annual installments at the end of 4th, 5th and 6th year from the date of allotment.

**INSURANCE**

The properties/assets of your Company are adequately insured.

**COST AUDIT**

The Central Government's Cost Audit Committee Order specifies audit of Cost Accounting Records for certain products of the company every year. The Board of Directors, subject to the approval of the Central Government, have appointed M/s J. K. Kabra & Co., Cost Accountants, as Cost Auditors to carry out this audit in respect of manufacture of textile products for the year ending 31st March 2007.

**AUDITORS**

M/s. A. F. Khasgiwala & Co., Chartered Accountants, the Auditor of the Company, holds office until the conclusion of the ensuing Annual General Meeting and is eligible for reappointment. The Company has received a letter from M/s. A. F. Khasgiwala & Co. to the effect that their reappointment as Auditors, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956.

**AUDITORS' REPORT**

The observation of Auditors contained in their Report have been adequately dealt with in the Notes to the Accounts given in Schedule "19" which are self-explanatory and therefore, do not call for any further comments.

**ACKNOWLEDGEMENT**

Your Directors place on record their appreciation of the assistance and support extended by all Government Authorities, Financial Institutions, Banks, Consultants, Solicitors, and Shareholders of the Company. Your Directors express their appreciation for the dedicated and sincere services rendered by the employees of the Company.

*For and on Behalf of the Board of Directors*

Place : Mumbai  
Date : 02/05/2006

**SAURABH KUMAR TAYAL**  
Chairman

**KSL AND INDUSTRIES LTD.****ANNEXURE TO THE DIRECTORS' REPORT:**

Information as per Section 217(1)(e), of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year 2005 - 2006

**I. CONSERVATION OF ENERGY****a) Energy conservation measures taken :**

The Company has been making concerted efforts for enhancement in capacity utilisation, cost competitiveness and quality through systematic process monitoring and adherence to technological norms. Sophisticated instruments are used for regulation and adjustment as per parameters. Efforts are also made for upgradation of the quality of the Plant Operation. Utilities are being combined for effective energy conservation.

**b) Additional Investments and Proposals being implemented for reduction of consumption of energy :**

The Company, as a matter of policy, has a regular and ongoing program for investments in energy saving devices. Studies are being made to reduce energy consumption and make suitable investments in this area, if necessary.

**c) Impact of the measures (a) & (b) above for reduction of energy consumption and consequential impact on the cost of production of goods:**

The Company has economised considerably the cost of power despite steep hike in the tariffs and is constantly exploring avenues for cost saving as an on-going process.

**d) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM A OF THE RULES IN RESPECT OF INDUSTRIES SPECIFIED IN THE SCHEDULE THEREOF**

	Year ended 31.03.2006	Year ended 31.03.2005
<b>A. Power and Fuel Consumption in respect of :</b>		
<b>1. Electricity</b>		
(a) Purchased		
1. Units (KWH in Lacs)	190.28	31.82
2. Total amount (Rs. in lacs)	846.74	105.65
3. Rate per unit (Rs/unit)	4.45	3.32
(b) Own Generation (Through Diesel Generator/Furnace Oil)		
1. Units (KWH in Lacs)	365.62	62.69
2. Units per litre of fuel	3.65	3.60
3. Cost per unit (Rs/unit)	5.69	3.26
<b>2. Coal</b>		
<b>3. Furnace Oil/Others/Internal Generation</b>		
<b>B. Consumption per unit of production</b> (Product : Yarn & Fabric)		
1. Electricity (KWH/Tonne)	2193.18	498.76
2. Coal (Kgs.)		
3. Furnace Oil (Ltrs.)		
4. Steam (Tonnes)		

**Note :** Since the Company manufactures different qualities of fabrics/yarns with product-mix changing significantly, there are no specific norms for per unit of production.